U. S. ARMY MATERIEL COMMAND (AMC)
VALUE ENGINEERING MANAGER (VEM)/
FUNCTIONAL COORDINATING GROUP (FCG) MEETING
30 JUNE & 1 JULY 1999

1.0 INTRODUCTION

A. Ms. Nan Ramsey, Army Materiel Systems Analysis Activity (AMSAA), called the meeting to order at 1:00 PM. Meeting agendas (Appendix A) were provided. Nan asked attendees to introduce themselves. The list of attendees is at Appendix B.

B. Mr. Chuck Waszczak, Air Force Institute of Technology (AFIT), announced that the CAVE course schedule for the next year is available on the Defense Acquisition University (DAU) website: http://www.acq.osd.mil/dau/scheduls.html

2.0 ARMY VE PROGRAM

Mr. Steve French, Office of the Assistant Secretary of the Army for Acquisition, Logistics and Technology, presented a top level view of VE in the Army. He commented on the message he received at the Government meeting on the previous day at the SAVE International Conference. He was surprised at the gloom and doom aura surrounding some of the presentations. He wanted people to know that VE is alive in OSD and that OSD still cares about VE. It's a reality that considerable scaling down has taken place and everyone is expected to do more with less. Mistakes will be made and sometimes it won't look good.

He discussed the Army's role in putting together the annual DoD VE report. There is a high level perception that the report is sloppy and that there is inconsistency among the services in definitions and in reporting. He strongly recommended that AMC work with OSD to address problems in the report and that any necessary changes, such as standardizing definitions and reporting years, should be incorporated into the report prior to the beginning of FY00. There was much discussion about what reporting elements are really required. **CECOM is to review the current VE report elements and propose elements for elimination.** Roger Thiesfield, who works for Mr. French, will work with AMC to fix any problems in the report. It is the collective responsibility of the VE community to fix the problems.

Mr. French was complimentary of the AMC VE Strategic Plan and recommended that report elements be structured and defined so that they track back to the Strategic Plan. He also recommended that AMC capture the non-monetary benefits of implemented VE proposals and incorporate them into the annual report. Mr. French's vu-graphs are at Appendix C.

3.0 DRAFT DOD POLICY ON COST REDUCTION PROGRAMS

AMC needs to have its position ready by the next Spring VEM/FCG Meeting so it can go to the other services and tell them AMC does not agree with their approaches. A core group of AMC VE people need to get together to look at VE metrics and prepare a strawman of metrics definitions to be used for the VE program and as a baseline for joint reporting. **(Office of Primary Responsibility (OPR): AMSAA-RI)**

4.0 VALUE ENGINEERING MANAGEMENT SYSTEM (VEMS)

Mrs. Jo Ann Carmichael reported that the VEMS, a web based system, has been operational for about six months and is a vast improvement over previous systems.

Jo Ann had asked everyone to suggest changes to the data entry screen. Ms. Janice Dove, AMCOM, presented a request for a new title field for RPTSETOA of 125 characters. An example is at Appendix D.

Considerable discussion was generated on the access of VEMS data by anyone who has access to the database and the sensitive nature of procurement sensitive or competition sensitive data by organizations undergoing A-76 Reviews.

Mr. Knowles, AMC VEM, advised the attendees that, in the interest of protecting procurement sensitive or competition sensitive data, all generic passwords are to be discontinued. VEMS data needs to be reviewed **(OPR: Sites)** to determine if sensitive, but unclassified (SBU) data, is currently being stored in the database. A decision/determination must be made as to whether SBU data will be stored in VEMS. **(OPR: AMSAA-RI)** If SBU is to be stored, security requirements must be reviewed and guidance issued. **(OPR: AMCRDS-T)**

TACOM has requested that provision be made for VE studies to be entered into VEMS. Other MSCs do not desire this feature. Nan Ramsey will prioritize this and other requests according to demand and will try to accommodate it.

5.0 OSD GUIDANCE ON USING VE

Mr. Tim Karcher, IOC, presented the major points of the OSD guidance on using VE. See Appendix E for vu-graphs.

The guidance requires that VE savings result from either an approved VECP or from a change that improves the value of a required function using function analysis. Function analysis must contain, as a minimum, the verb/noun statement.

The guidance also provides for reporting VE savings over a six year period. AMC has the capability to capture savings over six years but only three years of savings are reported to AMC by the MSCs. This issue could become a point of inconsistency among the services.

The OSD guidance does not require the upfront identification of a VE study as AMC requires. Discussion followed regarding whether the AMC requirement of an upfront VE study memo was still necessary.

Mr. Knowles offered that there was no real need to discuss this issue because the AMC requirements and practices are more stringent than the OSD guidance.

When the OSD guidance is officially received, AMC will determine whether it impacts the requirements of AMCR 70-8.

6.0 STATUS OF FAR DEVIATION/CHANGE

Nan Ramsey advised the group that the authority to use the FAR deviation has been extended indefinitely. It's now at the Civilian Agency Acquisition Council and its chances of being approved are good.

MSCs are to submit FAR Deviation VECPs as candidates for the next AMC VE Accomplishments Brochure. **(OPR: Sites)**

In a related matter, Nan reported that formerly the contracting officer could make a unilateral decision regarding several aspects of VECPs and that his/her decision was not subject to the disputes clause. Now the contracting officer's decision is still unilateral but subject to the disputes clause.

7.0 MIL-STD-973 AND VE

Jim Knowles discussed the relationship between Configuration Management and VE. He said that someone had sent a memo to the OSD Standardization Office asking, "Why not cancel MIL-STD-973?" and if it is cancelled, "What will happen to Value Engineering?" Jim said his reply was, "Why bother?" If 973 goes away it has no impact on the VE community. Some people think that the Government has given up configuration control under the Contractor Integrated Technical Information Service (CITIS). That's not true. Under CITIS, a contractor stores Government data but it has nothing to do with configuration control. We can still prepare and submit VEPs against that part of the TDP which the Government controls.

8.0 CHANGES TO AMCR 70-8

Nan Ramsey advised that this regulation, last updated in December 1996, will need another updating to address various changes and potential issues: AMSAA's assumption of maintenance and reporting functions for VEMS formerly performed by LOGSA, the percentage of TOA on which to base VE savings goals, VECP processing time, and the impending OSD policy memo which could affect VEP verification requirements and reporting years for VE savings. An administrative change sheet will be issued **(OPR: AMSAA-RI)** simple, i.e., organization, etc., changes. If the official OSD guidance on VE and/or the results of the August/September PAT meeting require a change to AMCR 70-8, a revision will be issued incorporating all required changes. **(OPR: AMSAA-RI)**

9.0 ENCOURAGING VECP GENERATION

Nan Ramsey reminded the group that the number of VECPs received by AMC VE organizations continues to decline. Nan asked participants to suggest ways to increase VECP submissions. The following suggestions, in no particular order, were offered:

Utilize MSC VE web pages to offer assistance in preparing and processing VECPs and offering examples of performance specification VECPs
- Authorize unilateral dispositions by PCOs in VECP settlements
- Provide assistance to subcontractors in the preparation of VECPs
- Host another VE symposium for high level Government and contractor people
- Present VE briefings at Army PM meetings and workshops
- Make VE presentations in road shows
- Improve (reduce) VECP processing times
- Praise PEOs/PMs/Commanders for meeting their VE goals in the presence of others who are not meeting theirs
- Partner with industry
- Incorporate VE goals in the performance standards of PEOs/PMs/Commanders
- Communicate periodically with PEOs/PMs/Commanders regarding progress against VE goals
- Conduct formal VE Day/Week ceremonies
- Change behavior of VE Office personnel from passive to active or proactive

Nan will select a date to conduct a VE PAT type meeting in the August/September timeframe to examine these and other related suggestions. **(OPR: AMSAA-RI and AMCRDA-T)** The meeting is expected to produce an AMC strategy to increase VECP submissions. Other issues, such as VE metrics, will also be addressed.

10.0 AWARDS PROGRAM – LESSONS LEARNED

Jo Ann Carmichael presented changes in the VE Awards program. See Appendix F for vu-graphs.

Several significant changes in the DoD VE award program have occurred in the last year. Milestones were pushed up and senators and congresspersons were invited to the awards ceremony. Contractor awards were sent directly to the contractors.

Jo Ann suggested that everyone working on the AMC awards begin assembling their packages earlier in the summer. Also, the scoresheet used by the QMB should be used as a tool when assembling award packages. **(OPR: Sites)**

The number of AMC awards will be decreased from eight to four for the year 2000.

Tom Reynolds stated that he has been impressed by the awards process and by the candidates.

11.0 TRACKING AND PUBLICIZING VALUE ADDED VEPS

Nan Ramsey reminded the group that VE is much more than cost reduction. There is a renewed emphasis on value. This year's master plan requires that VE actions which contribute value be so identified and reported. Readiness enhancements are prime examples of value added benefits.

Greg Zelnio suggested that the issue is caused by the VE program breaking cost improvements into different definitions – for example, cost savings, cost avoidances, and cost benefits. Other programs call all of these savings. Greg quoted a standard cost analysis definition of savings. Greg will provide a copy of the briefing from which the definition was quoted to Nan who will distribute it to the other MSCs. **(OPR IOC)** The possible outcome of this discussion is a revision to the various VE cost improvement definitions.

Suggestions were offered to publish an AMC quarterly newsletter publicizing value added VE changes and to include a listing of value added benefits such as reliability or performance enhancements in the accomplishments brochure.

12.0 MSC NEWS – TACOM

Mr. H.B. Patel, TACOM-ACALA, presented the TACOM VE news. He reported that TACOM VE savings were 71% of its FY99 goal as of 31 March 1999 and had reached $23.3 million thru 29 June 1999 – on track for its largest annual savings since the turn of this decade. At the present time, TACOM has 115 in-house VE projects underway and 40 contractor projects.

TACOM is taking the following steps to improve its VECP processing time.

The PEO-GCSS sent a memo to all his PMs on 14 Jun 99 emphasizing the need to close out the open projects, particularly the older Bradley and Abrams VECPs.

A recent scrub of TACOM-ACALA's nine active VECPs has indicated that the number of processing days shown in the Execution Report can be significantly reduced provided Procurement furnishes data not previously available.

The TACOM VE Program Management Office will resume periodic "Delinquent VECP Meetings" with the Acquisition Center to focus on settling older VECPs and to hold the procurement specialists accountable on a project-by-project basis.

13.0 MSC NEWS – STRICOM

Mr. Tony Gillooley, STRICOM VEM, presented the news from his command. STRICOM's VE emphasis is in the areas of strategy, metrics, processing time, intranet, and lessons learned.

Strategy – STRICOM maximizes its use of 5 day VE workshops which are funded, including facilities and support, by PMs. A quarterly VE Fair is conducted with the help of Mike Price from AMCOM.

STRICOM utilizes AMCOM functional support to package VEPs and CECOM support to finance workshops. Tony's office assists PMs/Directors in identifying long range strategies and candidates. The VE methodology is integrated into STRICOM's Program Execution Strategy. The challenge is maintained by raising the bar on STRICOM's annual VE goal.

Metrics – The STRICOM CG is briefed quarterly on the status of the program and he has agreed to place performance metrics on PMs/Directors. Tony is incorporating an SOP to assure continuity.

Processing Time – Three VECPs have been settled in FY99 with an average processing time of 47 days. Two additional settlements are anticipated.

Intranet – VEMS has been linked to the STRICOM homepage and VE successes have been put on-line. He has placed a hit counter on each facet of each page.

Publicity - Tony has generated an open letter to contractors signed by the STRICOM CG. VE articles have been featured in the local newspaper, the STRICOM Forward Observer, and the STRICOM News is used for command-wide messaging. Twenty two STRICOM personnel took the CAVE Course in late June.

Lessons Learned – The VE methodology is effectively sold thru workshops. VECP processing time can be reduced below 120 days. CG sponsored performance metrics assure that critical metrics are exceeded. Performance metrics VECPs need the support of the Chief of Staff for acceptance. SOPs need to be updated periodically. VE successes need to be publicized and the VE program has to be sold. No single person can effectively lead the VE program.

Tony has had considerable help, not only from within STRICOM, but also from CECOM and AMCOM and from Joe Lambert. (See Appendix G for STRICOM vu-graphs.)

14.0 MSC NEWS – AMCOM

Tom Reynolds, AMCOM VEM, presented the AMCOM VE news. See Appendix H for AMCOM vu-graphs.

There were several pieces of bad news in the past year. Two promising VE actions which were expected to come to fruition this fiscal year have been delayed: one has been put off until next year and the other may not come to fruition, at all. Also, two of AMCOM's customers have cut funding to the VE office, which means that funding for two people must be obtained from other sources. Finally, three VECPs in process went into dispute. This will hurt processing time and will also adversely affect relationships with those contractors.

There are several items of good news in FY99. AMCOM has verified a $29 million R&D VEP on Comanche metrics (versus inch-pound system). VECP processing time for FY99 has been reduced to 16 days. AMCOM has been applying VE in the performance spec environment.

Tom sees several challenges in the future. (a) There is an increasing concern about costs in the operation and support area. Future opportunities (and maybe even survival) might mean doing more VE in that area. (b) There is very little newly planned or on-going production of helicopters and missiles. Opportunities for claimable savings or even significant value added work in these areas is not likely. (c) VE is often used to solve customer problems but does not always produce measurable, reportable cost savings. A balance must be struck between customer needs (adding value while solving customer problems) and VE savings (making monetary goal). (d) The AMCOM VE Office has been asked to assume responsibility for several "related" programs and initiatives such as: Operations and Support Cost Reduction (OSCR), Reliability Maintainability and Sustainability (RMS), Best Case Government Cost (BCGC), Government proposals competing with Prime Vendor Support (PVS), Contractor Logistical Support (CLS), Life Cycle Cost Reduction)LCCR), and Total Ownership Cost Reduction (TOCR). While it's an honor to be asked to take on these programs/initiatives and we get some synergistic effect, they also can detract from the "all

encompassing" VE program. (e) A question which must be answered on the subject of VECP generation, is "What does it really take and is it really worth it?" In the past we desired VECPs for the savings potential since about 70% of our money goes to contractors. And the traditional thinking has been that if processing times are low, VECPs would grow. But, we've seen the VECP processing times dramatically reduced at two commands and various other initiatives put into place without a dramatic increase in VECP submissions.

15.0 MSC NEWS – SBCCOM

Mr. Jerry Lariviere presented the news from the Natick site. The VE Office receives no funding from Natick but DLA has provided some funding. Since the SBCCOM Natick site doesn't buy anything, no VECPs are generated there. However, DLA VECPs are evaluated there but no credit is received by the SBCCOM Natick site. The consensus arrived at in the ensuing discussion maintained that there should be some sharing in VE savings resulting from approved VECPs which were evaluated by SBCCOM Natick. IOC presented a 40 hour MOD I workshop this year at Natick.

Ms. Kim Walton presented the news from the Edgewood Arsenal site. SBCCOM is reorganizing and the trauma is being felt. The good news is that a VECP with large future contract savings is in the process of being approved. Two VECPs have been received this year. The VE savings reported to date ($ 1.9 million) represent about half of the combined SBCCOM FY99 goal. Plans include involving PMs more in VE in the future. Under the reorganization, they will be situated outside the centers and will play larger roles in decision making such as funding and are expected to be more active players.

16.0 MSC NEWS – IOC

Mr. Greg Zelnio, IOC VEM, presented his command's news. The IOC VE initiative emphasizes four primary elements: process management and program metrics, reducing VECP processing time, major challenges, and program strengths. See Appendix I for IOC vu-graphs.

Process management and program metrics. This element in turn consists of four parts:
     1) Awareness, which encompasses publicity, contractor participation (6 VECPs received in FY99 versus a goal of ten), and awards (IOC's goal this year is to win two AMC or DoD awards). IOC savings were about $ 10.4 million thru the end of May versus a target of $ 18.6 million thru that period. The IOC FY99 VE savings goal is $ 31 million.
     2) Knowledge, consisting of students trained and man-hours trained and ratings of courses and instructors. Targets are set for each of these factors.
     3) Application, which is measured by VEPs accepted and VECPs received and settled. IOC does not track VE studies as a metric.
     4) Implementation, which measures VECP processing days and resolves overage VECPs.

Reducing VECP processing time. Visibility is maintained by conducting quarterly reviews with the Chief of Staff, conducting bi-monthly meetings with the Acquisition Center, and including this issue in the Acquisition Tracking Center briefing.

Major challenges. Tailoring the VE program approach to fit the particular needs of IOC. Reacting to the shift from cost plus to fixed price multi-year contracts at GOCO's. Fewer installations. VE office manpower losses and turnover.

Program strengths. The IOC VE office personnel have participated in command initiatives such as Root Cause Analysis, ARIAT teams, A-76 reviews. Also, IOC VE office personnel have trained about 300 people during FY99 in various aspects of VE at APG, Soldier Systems Center, General Dynamics, and TACOM-ARDEC. There are three Certified Value Specialists on the IOC VE staff.

17.0 MSC NEWS – CECOM

Mr. Andy Lee presented the CECOM VE news. See Appendix J for CECOM vu-graphs.

There were no VECP settlements at CECOM during 3QFY99. To encourage VECP submissions, CECOM points to its workshop successes. About 33 CECOM sponsored VE workshops have been conducted since April 1996. PMs have bought into VE as a result of successful VE workshops and they, in turn, sell workshops to contractors. Once a contractor has experienced workshop success, he keeps coming back for more. CECOM has top level management support as evidenced by a letter signed by Edward T. Bair, Deputy Program Executive Officer of Intelligence, Electronic Warfare and Sensors. A copy was furnished to the attendees. The letter was sent to Mr. Mark Fried, the Vice President & Director of the Communications System Operation, Motorola Inc. It endorses CECOM's VE initiative and asks Motorola to participate in the Team C4IEWS VE Program. It also solicits Motorola's comments on ways to improve the VE initiative. In addition to signing the letter, Mr. Bair wrote a lengthy personal note to Mr. Fried to further emphasize his support of CECOM's VE program. Letters of this type might be used by other MSCs to promote VECP submission.

CECOM held three VE workshops during the 3QFY99. Particularly gratifying to CECOM's Value Concepts Office are participating soldier comments on the various benefits besides cost savings which flow from the workshops. Also, a VE briefing was presented at Motorola in support of the PM JSTARS.

Future CECOM VE workshops are: 9 August at Tobyhanna Army Depot; 23 August at Raytheon, El Segundo, CA; and 13 September at Ft. Monmouth. Jean Jines will present the CAVE course on 1 November at Ft. Monmouth.

18.0 VE PUBLICITY

Nan Ramsey led a discussion on this year's annual VE accomplishments brochure and on a new publicity vehicle, an AMC VE calendar for the year 2000. Nan advised the attendees that full participation and support by the entire AMC VE community is necessary to make these efforts successful. The calendar must be available to distribute by December 1, 1999. The calendar theme is "Enhancing Readiness thru Value Engineering" and the brochure theme is "Readiness thru Value." In addition to photos, graphic materials, and text, MSCs are requested to furnish quotes from high level officials praising the benefits of VE as they experienced them in their programs. **(OPR: Sites and AMSAA-RI)** HQ AMC concurrence in issuance of the calendar is required. **(OPR: AMCRD-T)**

Discussion by the group led to various suggestions: use 12 of the best accomplishments from past brochures; use only a collage of about six images which represent each of the MSCs; incorporate workshop scenes; include people – especially soldiers; include quotations from high level officials; advertise VE events; and feature VE workshop projects.

19.0 VE OPPORTUNITIES ON PERFORMANCE SPECS

Jim Knowles displayed an example of a performance spec which, from certain perspectives, contained ambiguous and confusing requirements. The spec language was open to different interpretations by different individuals. Jim's point was that there is ample opportunity in performance specs to propose VE changes by carefully examining the wording of the specs for confusing, ambiguous, or even impossible requirements.

20.0 CLOSING COMMENTS

Nan Ramsey thanked everyone for their participation and contributions. The reports and other inputs were impressive. Nan felt it was a productive meeting.